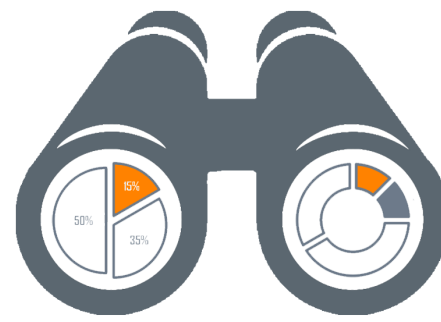


COMMERCIAL REAL ESTATE

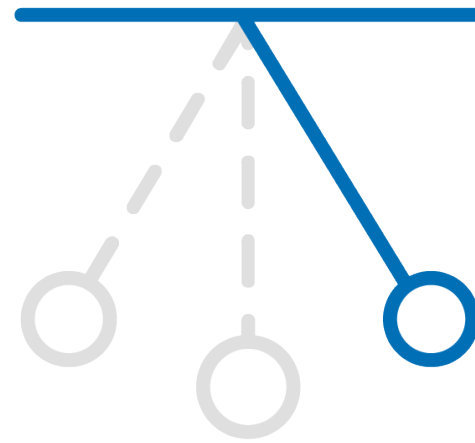
U.S. MARKET | Industrial

Q2 2024

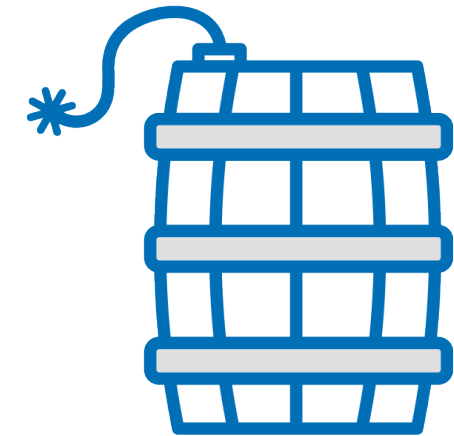
THE VIEW FROM HERE



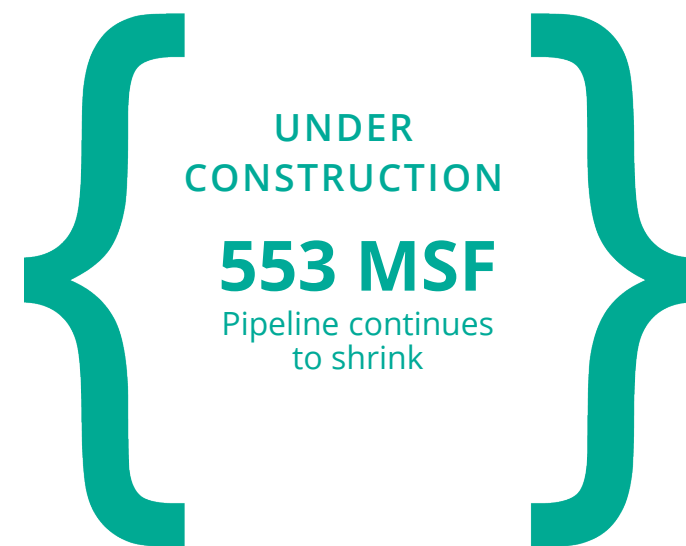
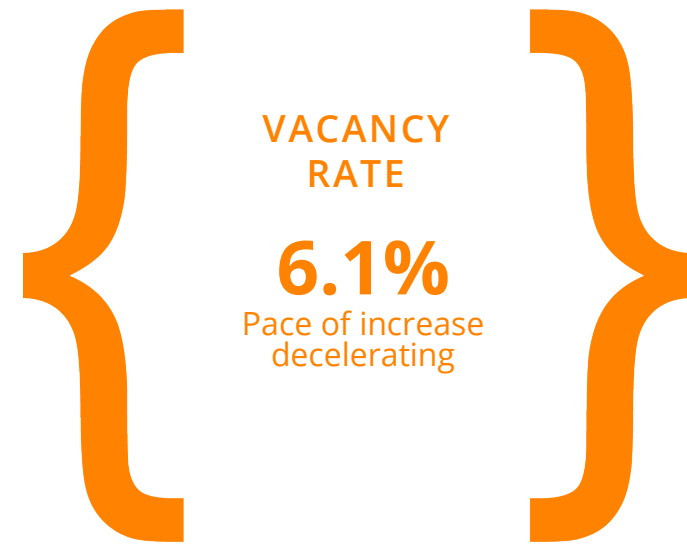
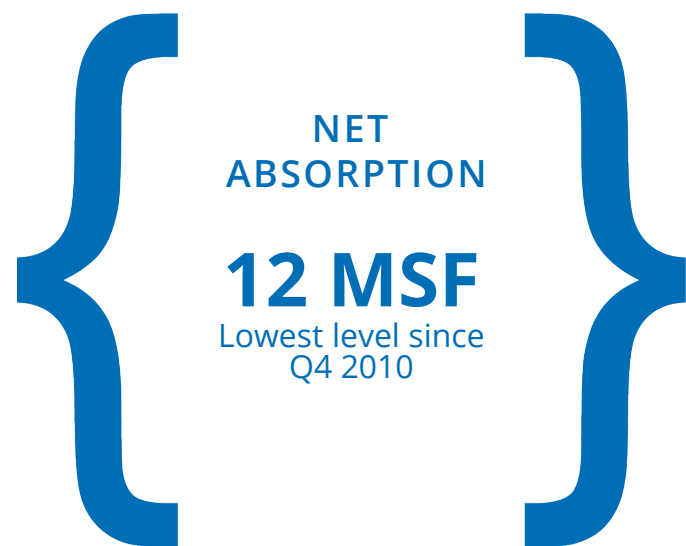
Imports trending higher as retailers rush holiday orders due to Red Sea unrest, potential labor strike



Pendulum shifting toward tenants, but may be halted as construction starts diminish



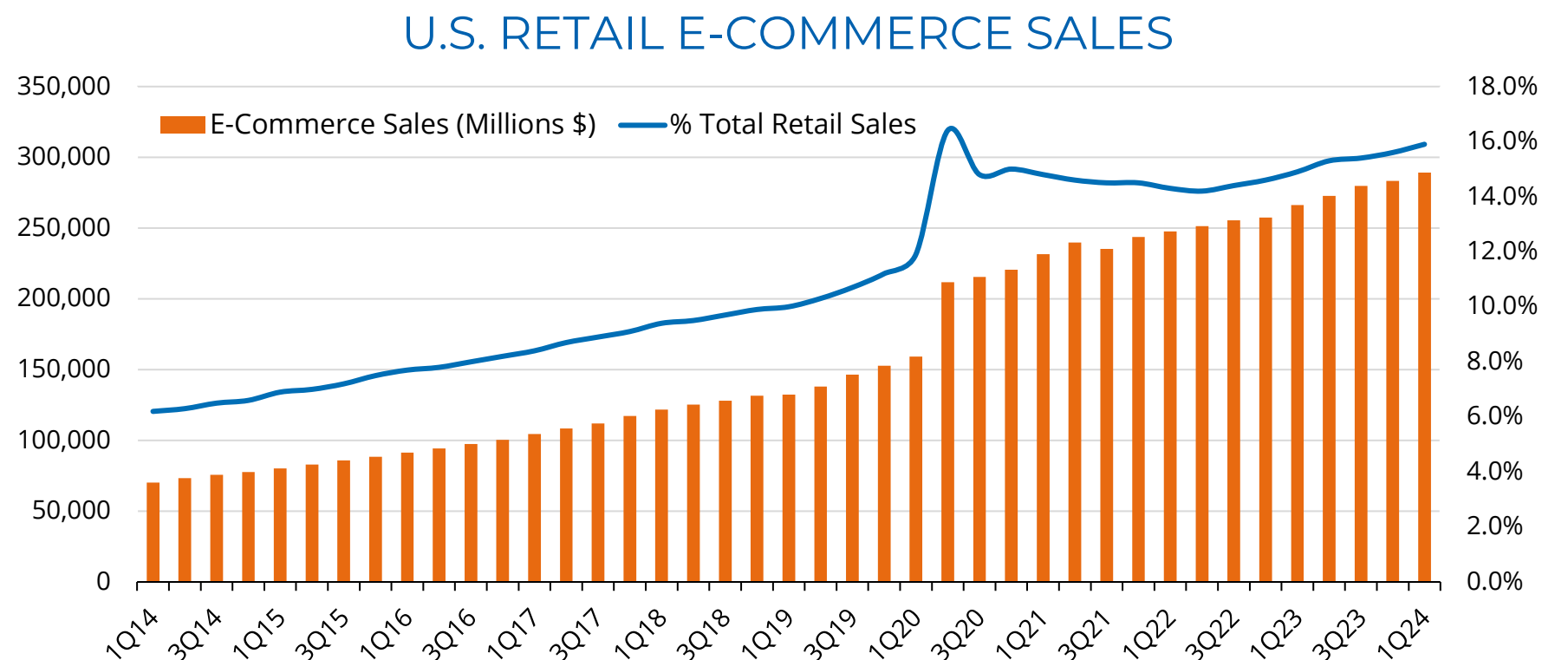
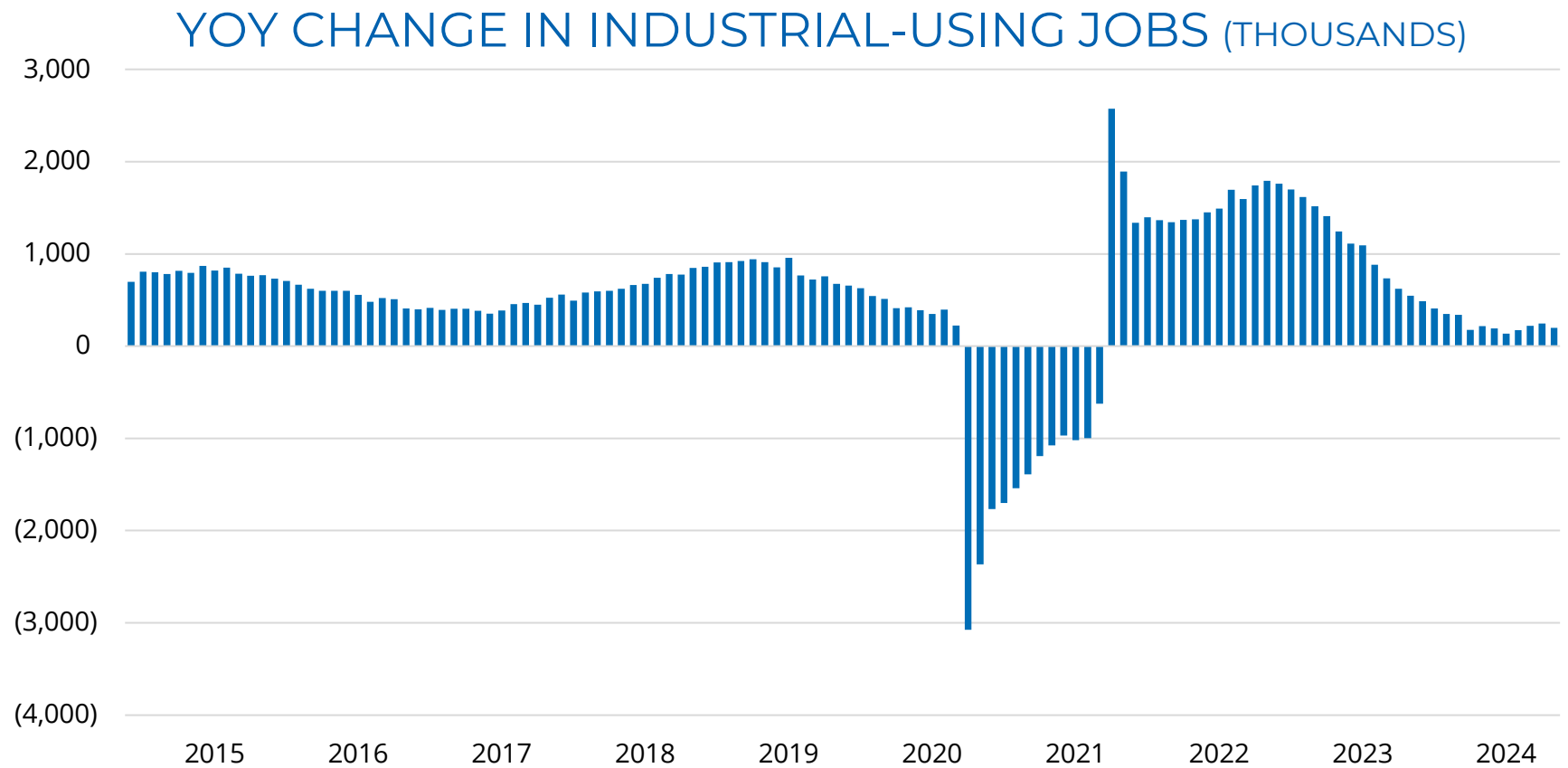
Dry powder being deployed as interest rates ease and industrial product maintains favorability



ECONOMIC HIGHLIGHTS

- U.S. economy grew 1.6% in Q1 2024, less than half of the Q4 2023 GDP reading of 3.3%. The initial reading for Q2 2024 was 2.8%, well above the 2024 forecasts which range between 2.2% and 2.5%.
- U.S. unemployment averaged 4.0% for Q2, the first time it reached that level since Q4 2021.
- The number of jobs supporting the industrial real estate sector continued higher and the growth rate accelerated for the first time in eight quarters.
- Warehouse and storage job growth has bounced back, while truck transportation jobs fell. Of note, rail employment increased as freight rail is becoming more vital to intermodal transportation efficiency.
- The manufacturing sector contracted for 19 of the past 20 months, including all three months of Q2.
- Though production continued slower, construction of manufacturing facilities has increased as reshoring accelerates, boding well for future growth of the industrial real estate sector.
- As consumer sentiment wanes, hitting a 7-month low during Q2, consumers are prioritizing necessities, a plus for the warehousing sector.
- E-commerce's share of retail sales continued its steady post-pandemic climb, up 30 bps in its latest report in Q1, the highest quarterly growth since Q2 2023.
- The global supply chain remains under strain; however, the first half of 2024 showed an increase in volumes for U.S. container ports when compared year-over-year.
- As a strike looms at East Coast ports, it is anticipated that an increased amount of shipping will be rerouted West.

HISTORICAL

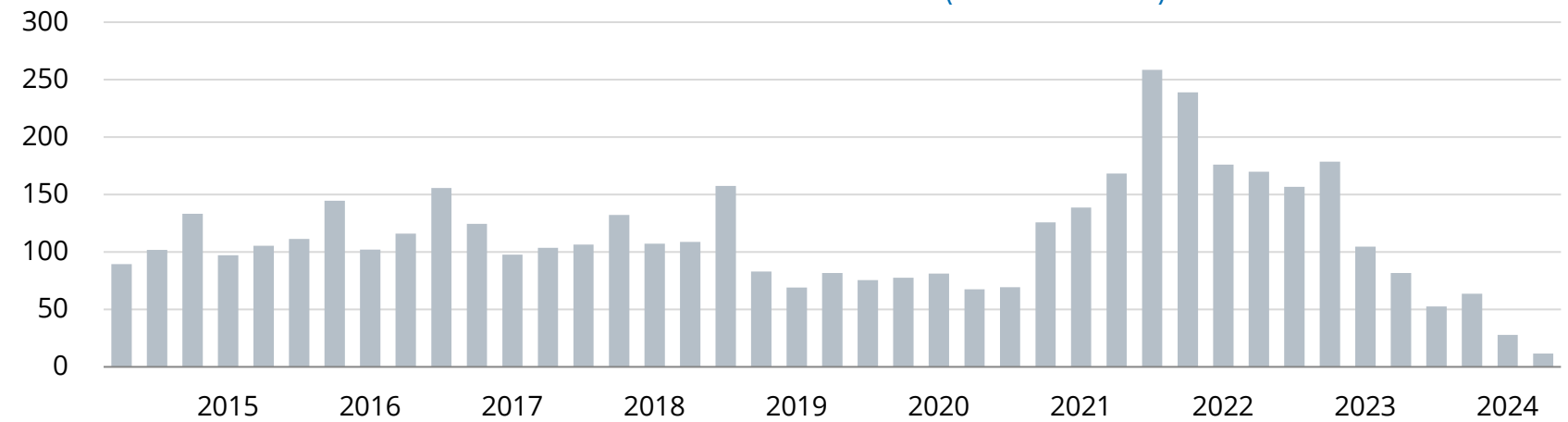


MARKET HIGHLIGHTS

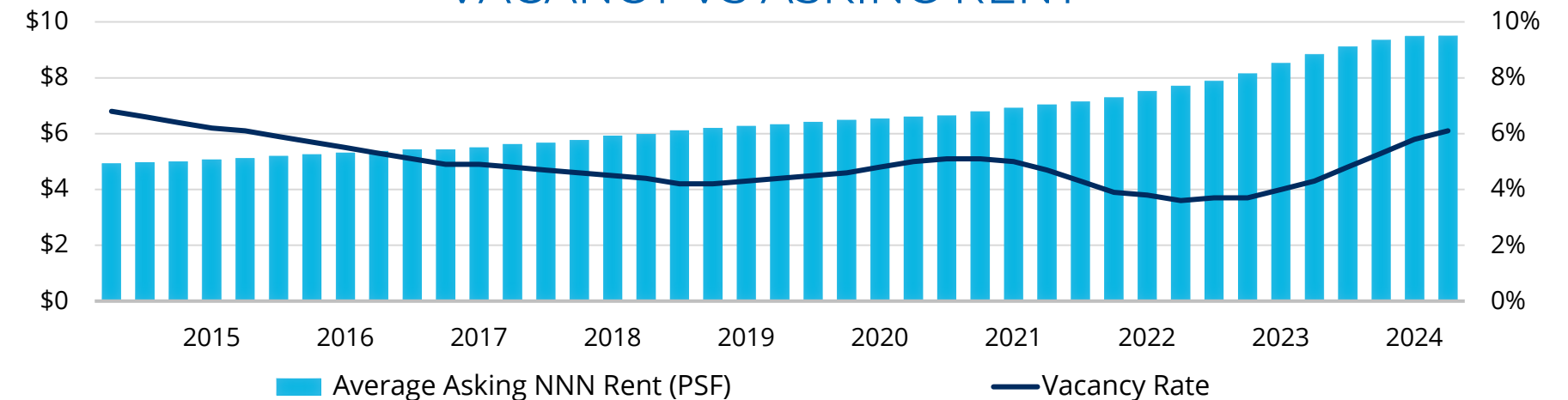
- The shift toward equilibrium continued for U.S. industrial real estate; vacancies continued to loosen, new construction starts tempered, and rent growth stalled.
- Occupancy grew through mid 2024, as positive absorption was recorded for the 58th straight quarter, though the pace of growth slowed considerably.
- Two-thirds of markets recorded positive net absorption, rebounding from Q1 when, for the first time during this period of expansion, less than half registered gains.
- Over the past 12 months, 33 of 44 markets recorded occupancy growth, equaling the previous quarter, while only three markets (Dallas-Fort Worth, Houston, Phoenix) absorbed more than 10 MSF over the past 12 months, compared to nine markets when compared YoY.
- Despite continued growth in total occupancy, the overall vacancy rate increased by 30 basis points, surpassing six percent for the first time in nine years.
- The number of sublease listings continued to rise, albeit the pace slowed, accounting 9.8% of available space, more than double the level of two years ago.
- The asking rent average registered a record high for the 28th straight quarter, though increased just a penny.
- YoY rent growth slowed considerably to 7.4%, falling below 10% for the first time since Q2 2022 but remained above the 10-year average of 6.7%.
- Total product under construction fell for the seventh consecutive quarter to its lowest level since Q4 2020.
- Retailers and wholesalers boosted inventories in Q2. When coupled with diminishing new construction, that could suggest vacancy levels will tighten again in 2025.

HISTORICAL

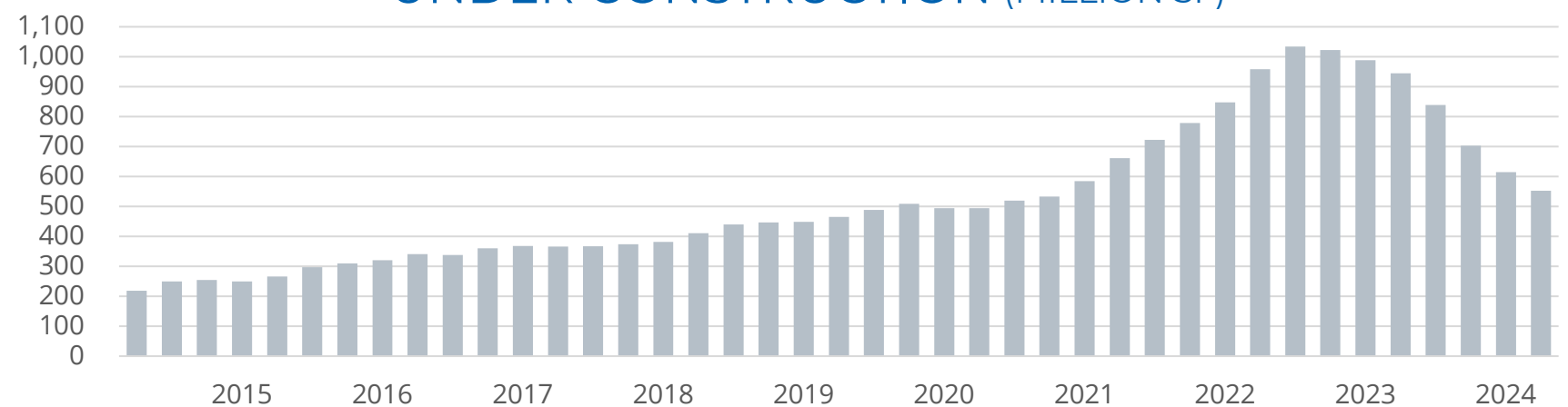
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

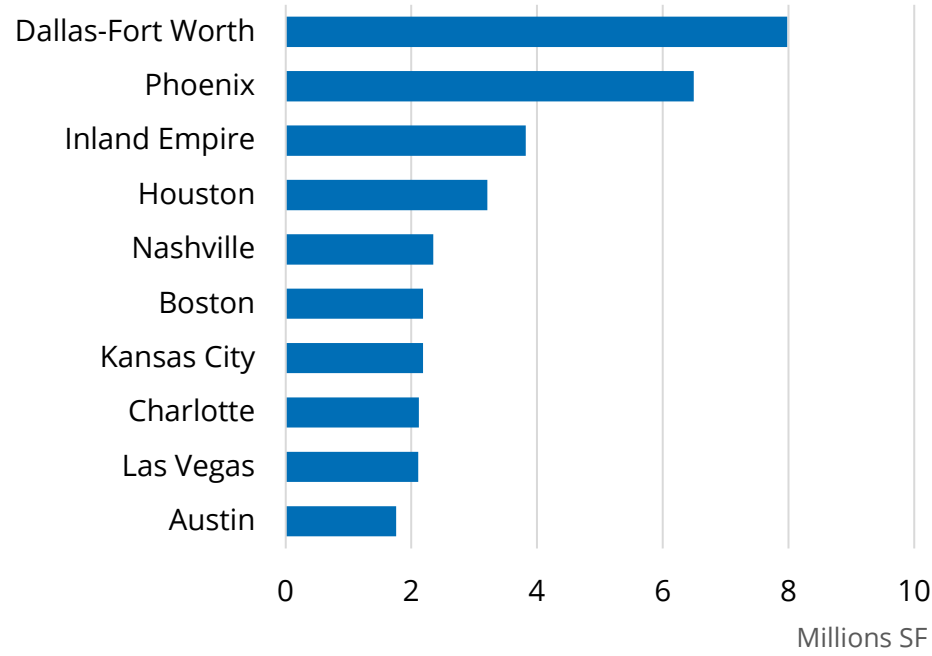


UNDER CONSTRUCTION (MILLION SF)



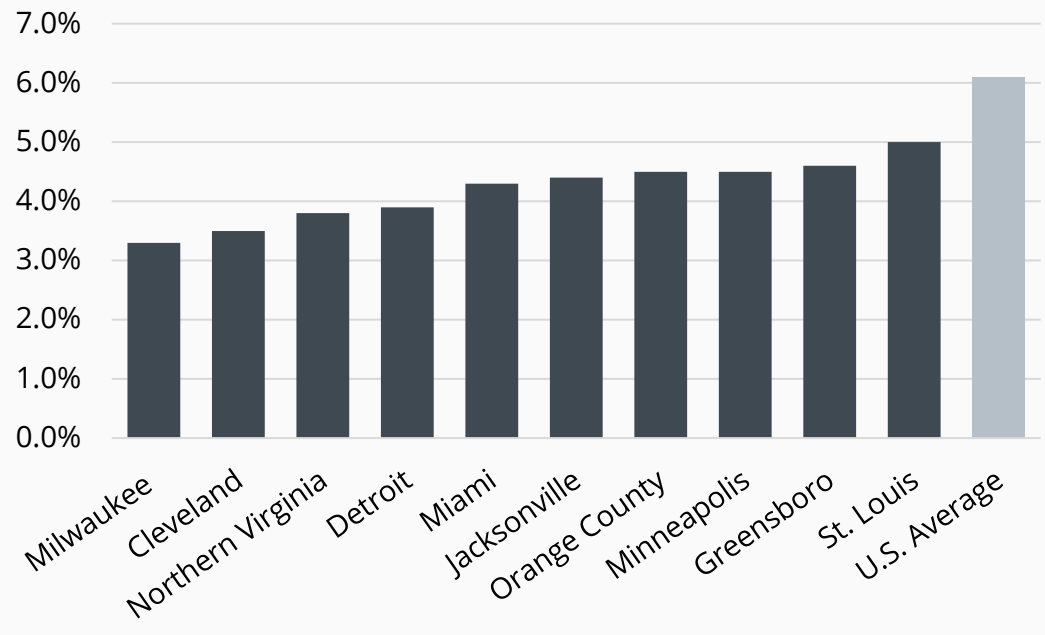
NET ABSORPTION

Q2 2024 Net Absorption



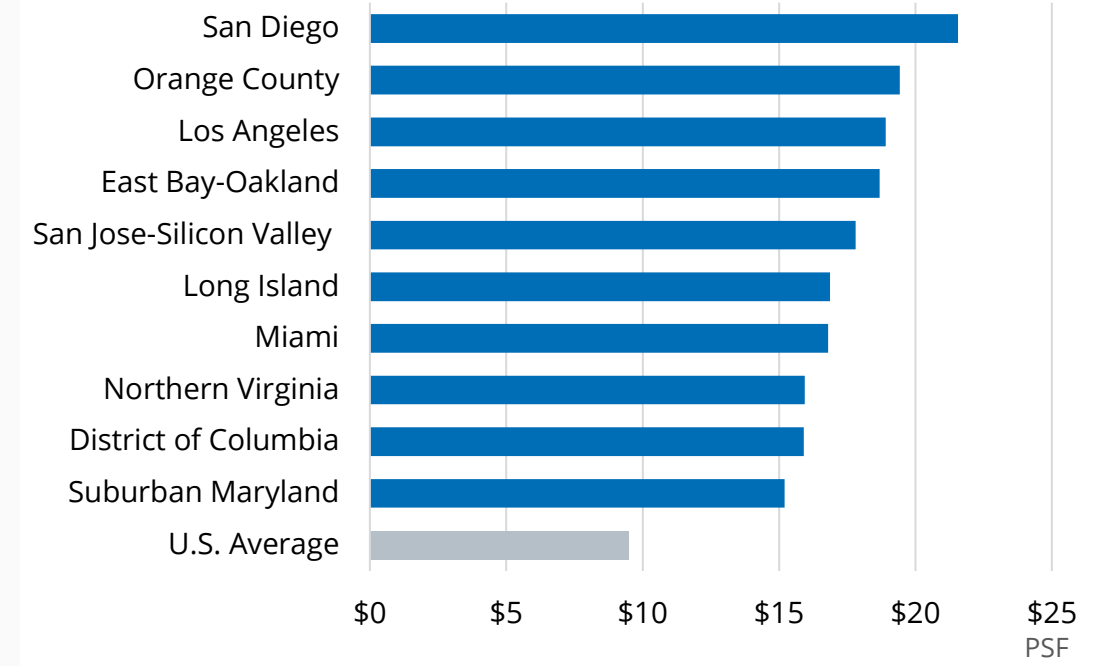
VACANCY/CONSTRUCTION

Q2 2024 Vacancy Rate

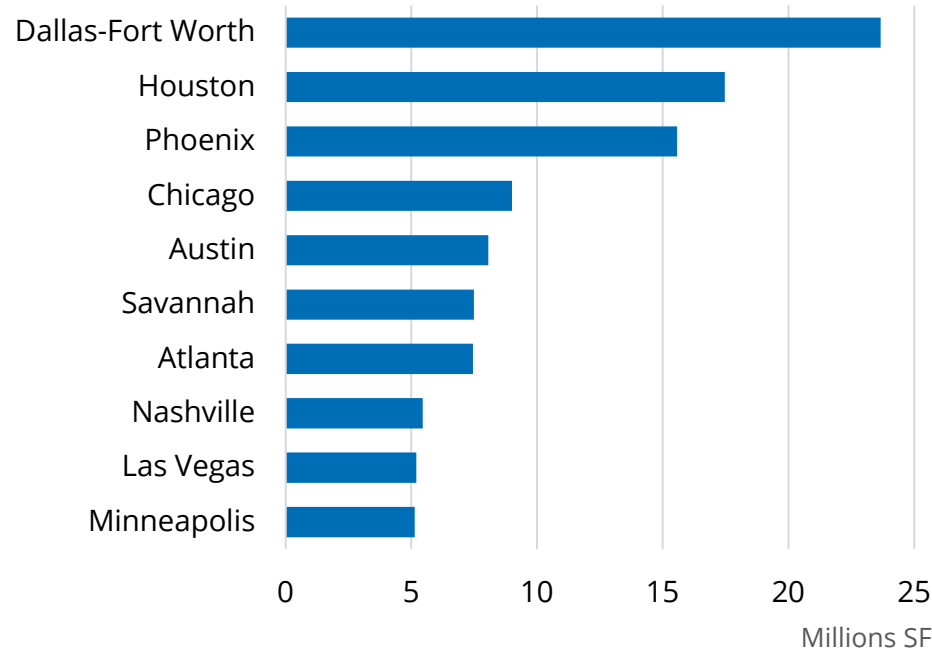


ASKING RENTS

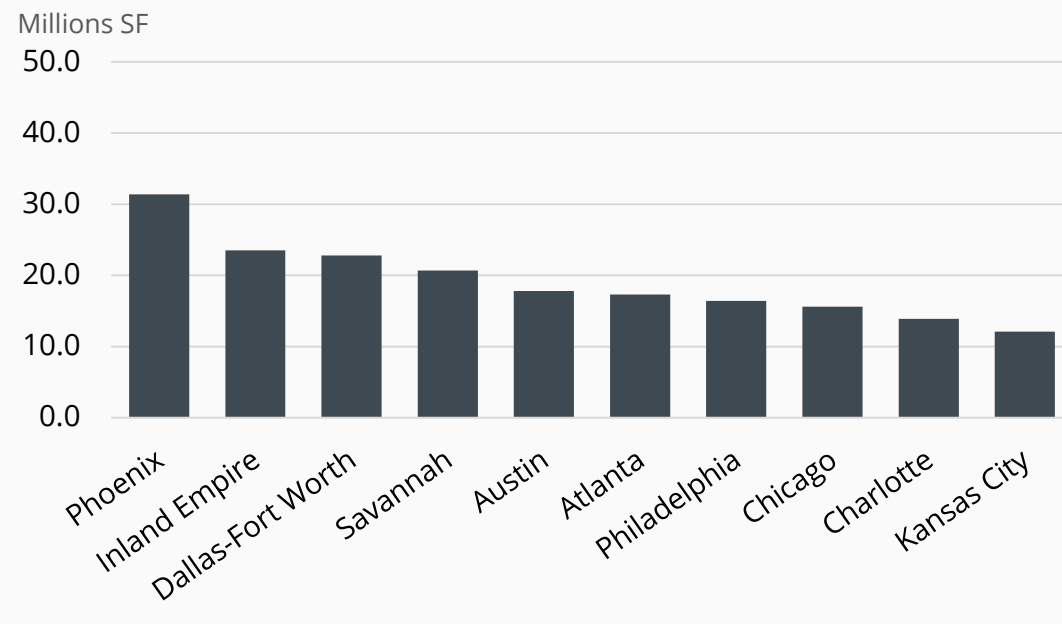
Q2 2024 Asking Rate NNN



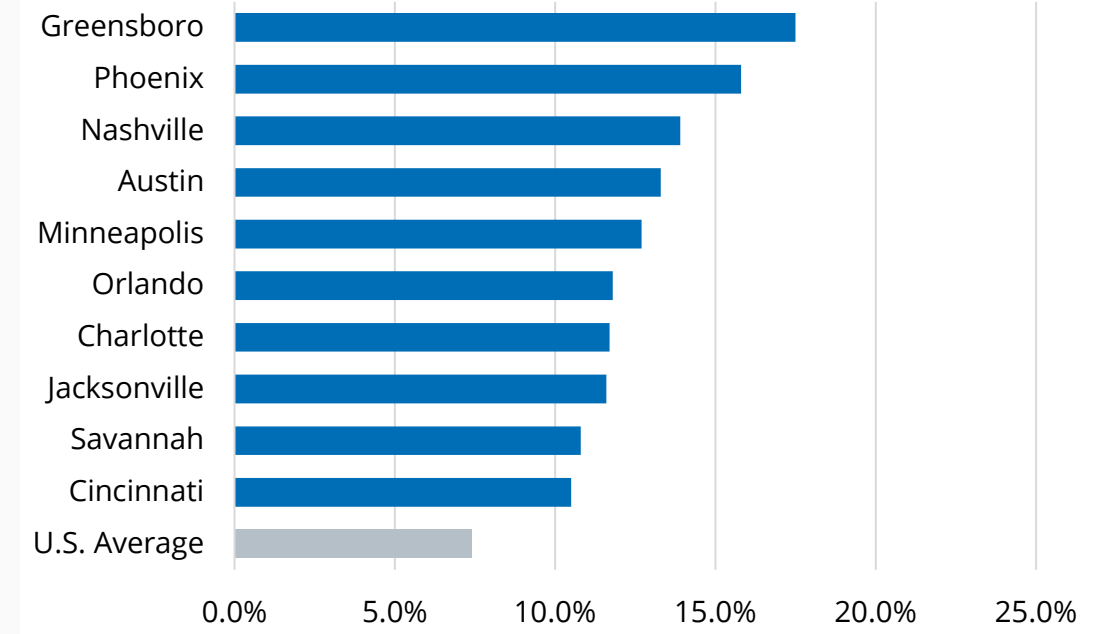
Trailing 4-Qtr Net Absorption



Q2 2024 Under Construction

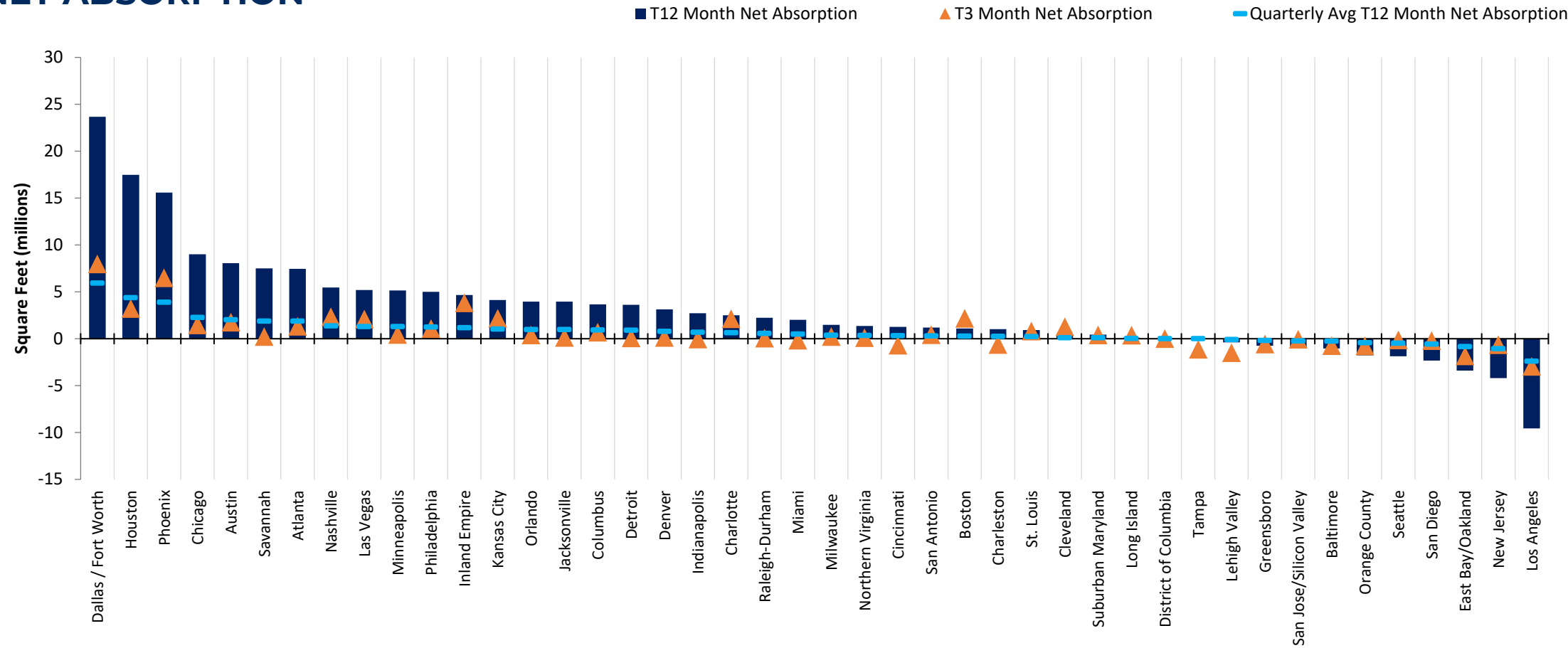


Year-Over-Year Rent Growth



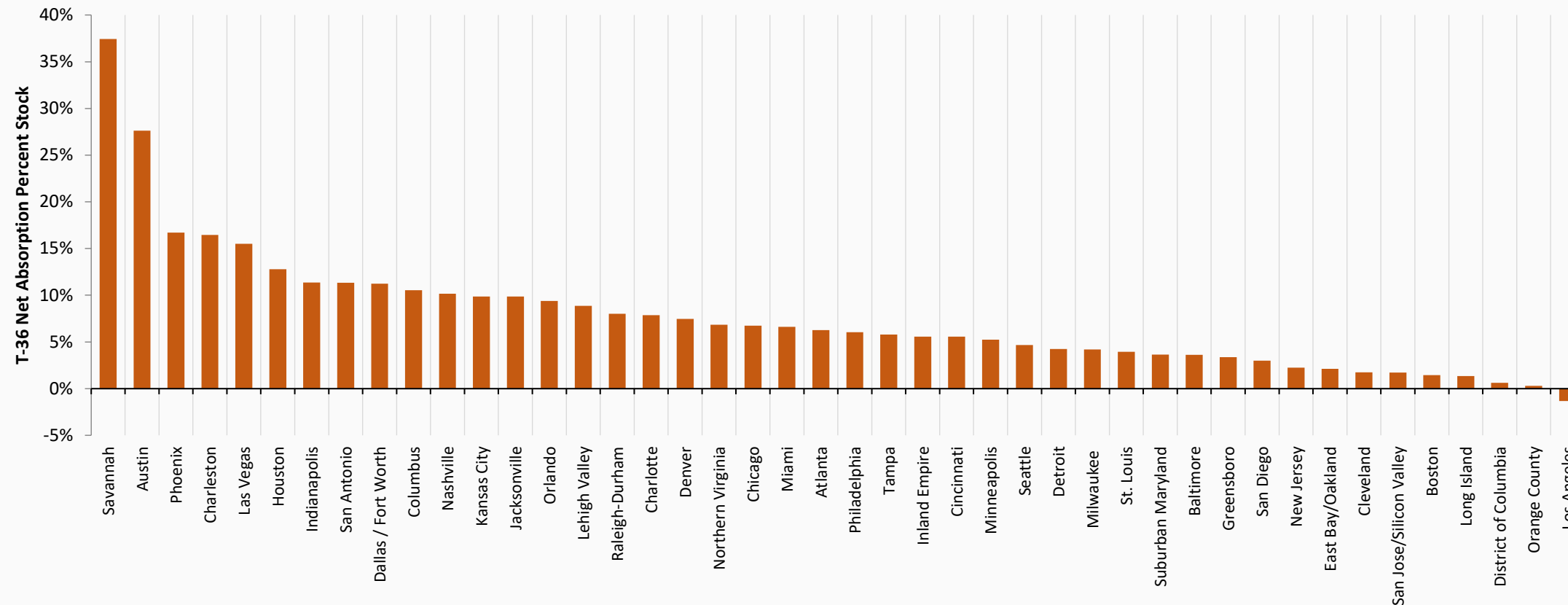
*Several factors can result in the variability of asking rent and rent growth figures including, but not limited to, the level of new construction and the number of available space with no listed asking rents,

NET ABSORPTION



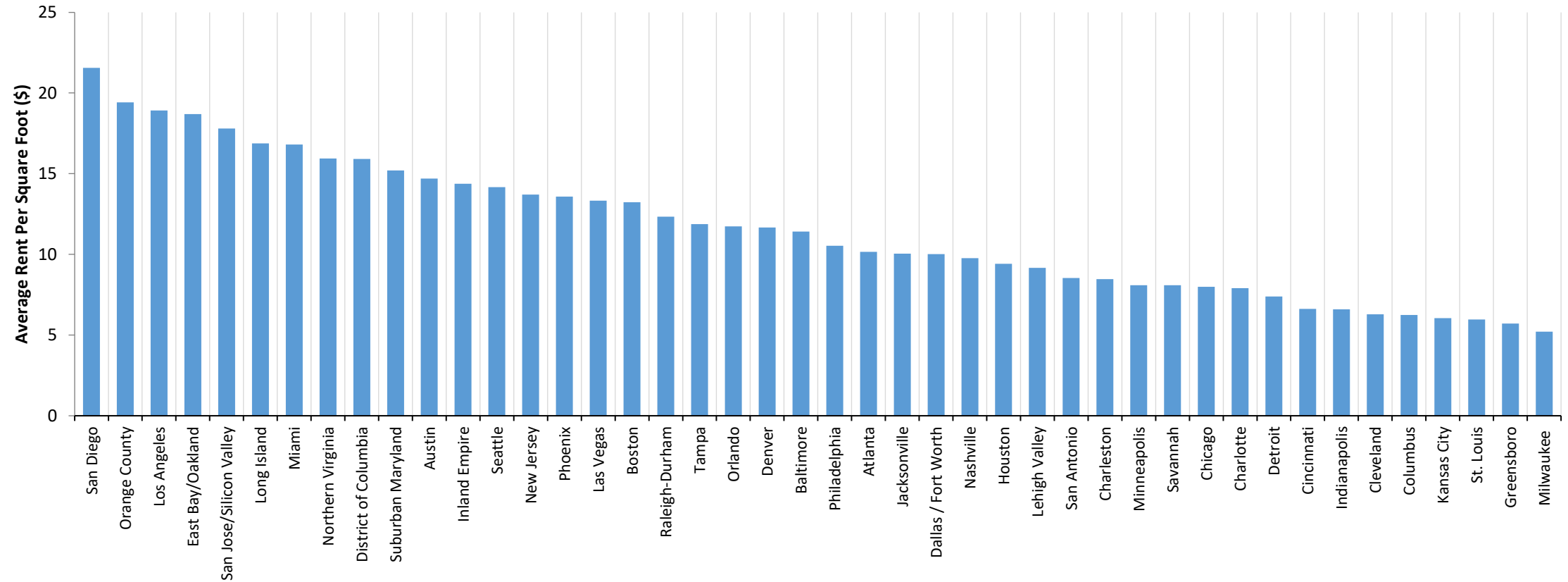
- Positive net absorption was reported in 75% of markets over the past 12 months, the same amount as Q1 2024.
- Growth accelerated in 2Q 2024 with the number of markets posting quarterly net absorption higher than the quarterly average for the past year increased from 11 to 17.
- Two-thirds of all net absorption over the past 12 months occurred in the top ten markets, while the top five accounted for nearly 50% of occupancy growth.

MARKET EXPANSION: 3 YEAR NET ABSORPTION % STOCK



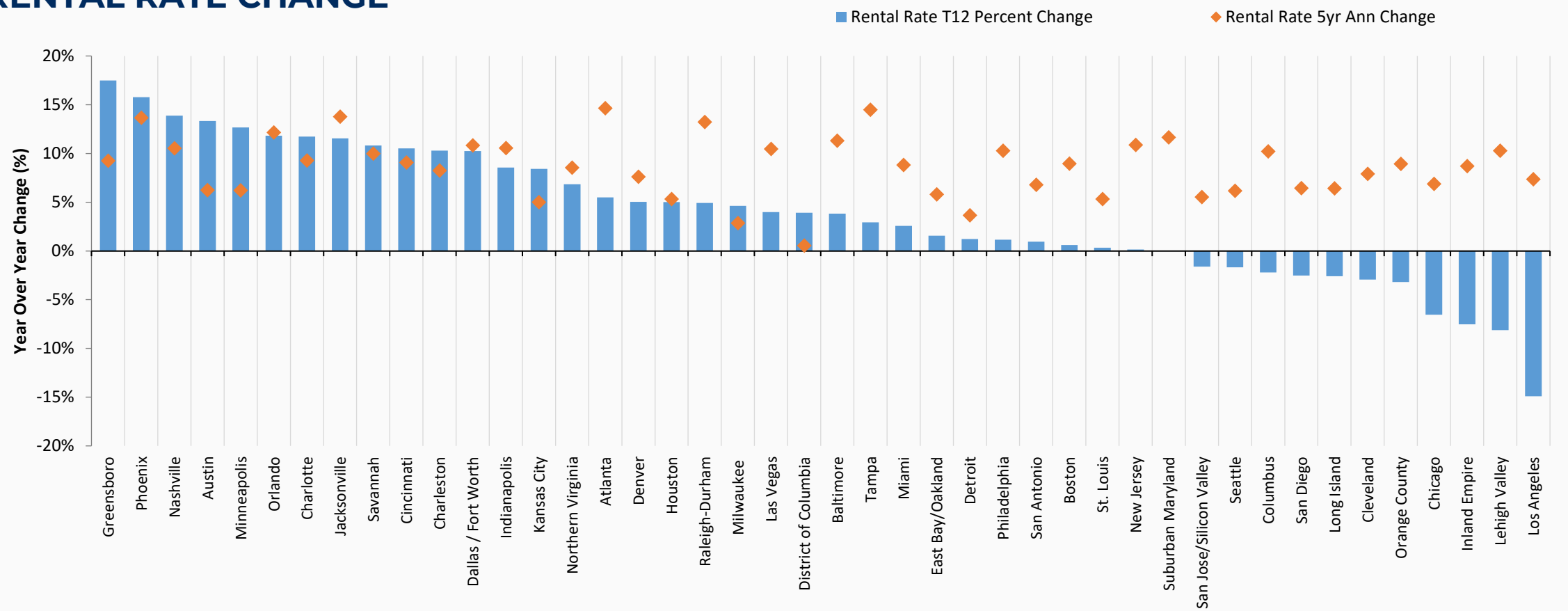
- Here, we consider 3-year net absorption as a percent of stock. A higher percentage indicates that a market is more expansionary.
- Tenants continue to seek industrial space in the Sun Belt, which boasted eight of the top markets for expansion.

RENTAL RATES (NNN)



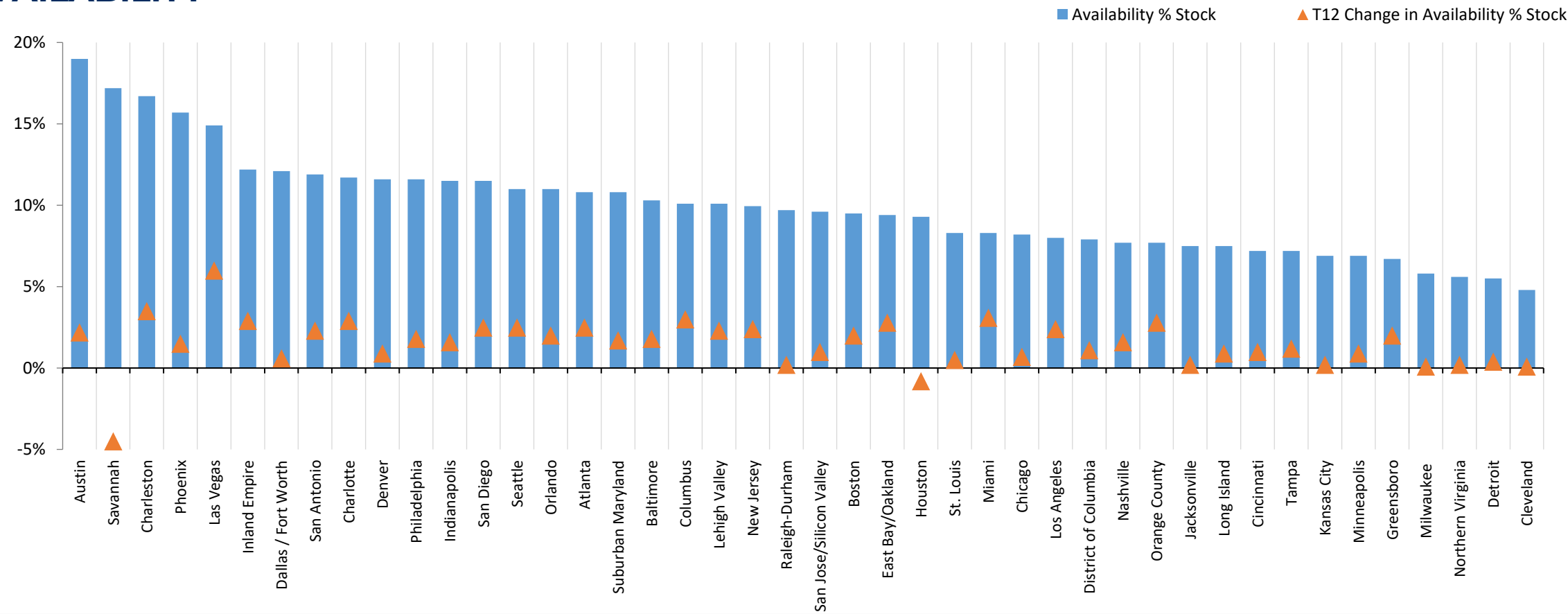
- The markets with the highest rental rates are predominantly located in the largest shipping port regions on the west and east coasts.
- Markets along the rents maintained strong rents as challenging conditions have had investors more conservatively focused on gateway markets.

RENTAL RATE CHANGE



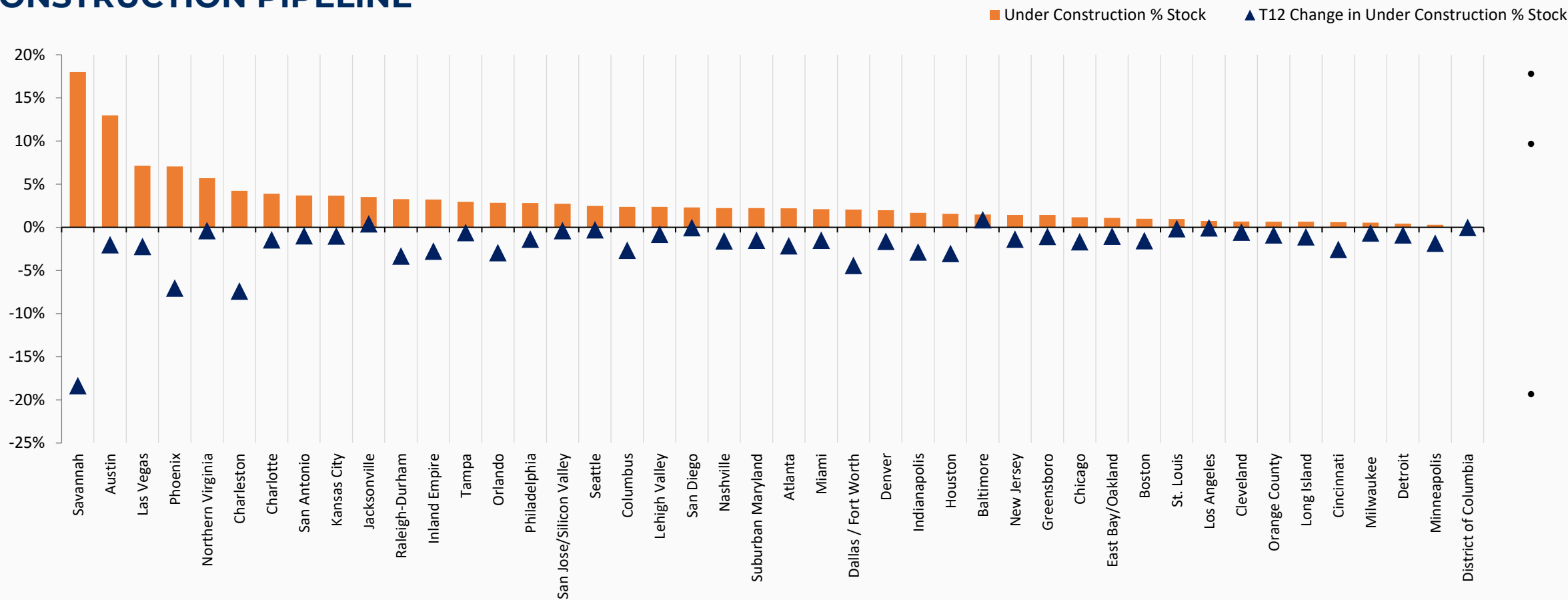
- Slightly more than one-quarter of markets experienced rent growth over 10% during the past year, down from 36% the previous quarter.
- Alternatively, 25% of markets recorded a decline in rent over the past year, compared to just over 20% the previous quarter, as many markets experienced increased deliveries and a pull back in demand.

AVAILABILITY



- The top five markets with the highest availability also claim five of the top six construction percentage levels including Austin, Savannah, Charleston, Phoenix and Las Vegas.
- Many markets loosened over the last year as demand eased, with all but two experiencing an increase in availability.
- Markets experiencing the largest increases in availability include Las Vegas, Charleston, Miami, and Columbus, all of which rose at least 300 basis points.

CONSTRUCTION PIPELINE



- Under construction stock is indicative of future expansion.
- Capitalizing on much-needed industrial real estate inventory due to substantial population growth and a recent shipping shift, developers continue to build in the Sun Belt. The region accounts for eight of the top 10 highest growth markets as it pertains to under-construction stock.
- Depressed demand and a challenging capital markets environment has caused construction to slow over the past year in over 90% of markets.

Market	Inventory Square Feet	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent NNN	Annual Rent Change	Under Construction
Atlanta	784,953,303	7.5%	6.8%	1,326,518	7,453,728	\$10.16	5.5%	17,338,132
Austin	137,115,472	10.5%	9.9%	1,759,616	8,060,965	\$14.70	13.3%	17,772,257
Baltimore	250,320,923	7.4%	6.6%	(726,199)	(1,057,087)	\$11.41	3.8%	3,726,902
Boston	344,281,809	6.7%	6.2%	2,188,822	1,076,165	\$13.23	0.6%	3,387,845
Charleston	101,265,979	12.8%	10.8%	(621,228)	1,002,444	\$8.47	10.3%	4,288,325
Charlotte	358,744,033	8.1%	7.6%	2,119,523	2,502,159	\$7.90	11.7%	13,914,494
Chicago	1,349,955,121	5.5%	5.2%	1,468,406	9,009,607	\$7.99	-6.5%	15,617,605
Cincinnati	342,620,596	5.8%	5.5%	(676,862)	1,246,243	\$6.62	10.5%	1,994,810
Cleveland	330,112,009	3.5%	3.4%	1,286,833	446,843	\$6.29	-2.9%	2,197,894
Columbus	355,513,622	7.8%	6.8%	709,073	3,666,450	\$6.24	-2.2%	8,409,290
Dallas-Fort Worth	1,113,591,629	10.0%	9.1%	7,982,903	23,665,230	\$10.01	10.2%	22,826,845
Denver	264,935,307	8.5%	8.0%	142,495	3,130,506	\$11.67	5.0%	5,254,719
Detroit	589,314,752	3.9%	3.5%	93,030	3,617,717	\$7.39	1.2%	2,401,376
District of Columbia	8,254,535	5.1%	4.8%	27,511	41,693	\$15.91	3.9%	0
East Bay-Oakland	254,798,485	7.2%	5.9%	(1,819,573)	(3,399,405)	\$18.69	1.6%	2,758,112
Greensboro	163,523,676	4.6%	4.3%	(552,619)	(757,071)	\$5.71	17.5%	2,352,157
Houston	762,294,232	7.8%	7.3%	3,210,664	17,464,160	\$9.42	5.0%	11,801,041
Indianapolis	401,405,629	9.3%	8.2%	(42,229)	2,706,582	\$6.59	8.6%	6,699,105
Inland Empire	733,412,147	7.3%	5.5%	3,819,643	4,648,813	\$14.37	-7.5%	23,549,168
Jacksonville	150,298,439	4.4%	3.9%	131,119	3,945,759	\$10.04	11.6%	5,289,784
Kansas City	331,062,820	5.0%	4.6%	2,183,973	4,109,353	\$6.05	8.4%	12,135,201
Las Vegas	167,462,274	7.3%	6.6%	2,110,302	5,198,451	\$13.32	4.0%	11,928,048

Market	Inventory Square Feet	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent NNN	Annual Rent Change	Under Construction
Lehigh Valley	159,724,755	6.2%	5.7%	(1,474,815)	(394,852)	\$9.16	-8.1%	3,772,821
Long Island	158,468,333	5.4%	4.9%	387,469	125,048	\$16.87	-2.6%	1,030,527
Los Angeles	866,155,259	5.6%	4.9%	(2,946,484)	(9,562,934)	\$18.91	-14.9%	6,347,943
Miami	251,519,568	4.3%	4.1%	(144,718)	2,002,251	\$16.80	2.6%	5,316,513
Milwaukee	249,707,124	3.3%	3.2%	248,443	1,476,883	\$5.21	4.6%	1,331,520
Minneapolis	407,531,918	4.5%	4.2%	462,105	5,134,624	\$8.09	12.7%	1,248,108
Nashville	255,028,568	5.4%	4.2%	2,348,282	5,448,163	\$9.76	13.9%	5,705,909
New Jersey	788,120,108	6.6%	5.9%	(626,666)	(4,210,841)	\$13.71	0.1%	11,379,403
Northern Virginia	126,272,881	3.8%	3.6%	106,064	1,363,758	\$15.94	6.8%	7,199,069
Orange County	273,344,774	4.5%	3.8%	(769,390)	(1,765,850)	\$19.42	-3.2%	1,786,935
Orlando	188,991,456	6.6%	5.9%	399,735	3,951,984	\$11.73	11.8%	5,370,983
Philadelphia	585,512,578	7.3%	7.0%	1,080,582	4,990,710	\$10.53	1.2%	16,437,347
Phoenix	444,899,656	11.1%	10.3%	6,493,871	15,574,192	\$13.58	15.8%	31,377,177
Raleigh-Durham	146,271,841	7.1%	6.5%	67,318	2,216,982	\$12.33	4.9%	4,764,324
San Antonio	163,041,064	9.0%	8.7%	438,131	1,174,372	\$8.54	0.9%	6,017,148
San Diego	188,010,517	7.5%	6.3%	(207,528)	(2,336,479)	\$21.56	-2.5%	4,301,239
San Jose-Silicon Valley	185,222,132	8.0%	7.1%	(50,581)	(921,028)	\$17.80	-1.6%	5,056,413
Savannah	115,219,609	14.8%	12.8%	231,798	7,488,737	\$8.09	10.8%	20,725,971
Seattle	331,612,535	7.7%	6.7%	(118,625)	(1,875,599)	\$14.17	-1.7%	8,189,579
St. Louis	319,101,814	5.0%	4.5%	829,407	924,327	\$5.96	0.3%	3,096,733
Suburban Maryland	109,316,300	7.1%	6.3%	397,849	425,394	\$15.20	0.0%	2,419,371
Tampa	193,681,945	6.1%	5.8%	(1,115,660)	(20,889)	\$11.87	2.9%	5,723,674



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Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at transwestern.com and [@Transwestern](https://www.instagram.com/Transwestern).

RESEARCH METHODOLOGY

The information in this report is a compilation of single and multi-tenant industrial and flex properties located in select U.S. metropolitan areas. Government-owned buildings are excluded from analysis. All rents are reported as triple net and can be skewed, in some cases, due to factors including, but not limited to, the level of new construction and the amount of available space with no listed asking rents.